

Message Text

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TO AMEMBASSY BUCHAREST PRIORITY

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TAGS: EFIN, RO

SUBJECT: U.S.-ROMANIA TRADE

1. EXIMBANK WOULD APPRECIATE EMBASSY DELIVERING TEXT OF
LETTER FROM DIRECTOR THIBAUT DE SAINT PHALLE TO ALEXANDRU
MARGARITESCU, MINISTRY OF FOREIGN TRADE.

BEGIN TEXT:
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DEAR MR. MINISTER:

PERSONALLY AND ON BEHALF OF THE EXIMBANK STAFF, I WANT TO
THANK YOU VERY MUCH FOR THE PROFITABLE DISCUSSIONS WHICH
WE HAD WITH THE ROMANIAN MINISTRIES WHILE IN BUCHAREST.
SUCH CONTACTS ARE SURE TO FACILITATE TRADE RELATIONS
BETWEEN OUR RESPECTIVE COUNTRIES AND I VERY MUCH APPRE-
CIATE THE ATMOSPHERE OF COMPLETE CANDOR IN WHICH OUR DIS-

CUSSIONS TOOK PLACE. WE HOPE THAT WE CAN RELY ON THE RELATIONSHIPS WE HAVE NOW ESTABLISHED WITH THE MINISTRIES TO RESOLVE DIFFICULTIES AND FACILITATE ACTION WHENEVER NECESSARY IN INDIVIDUAL CASES.

AT THE LUNCHEON WHICH AMBASSADOR AGGREY HOSTED YOU BROUGHT UP THE OBSTACLE THAT THE PRICE OF U.S. GOODS AND SERVICES

MENTIONED THE ELLIOTT TRANSACTION NOW BEING NEGOTIATED WITH ROMCHIM, WHERE THE JAPANESE PRICE IS SIGNIFICANTLY LOWER.

IMMEDIATELY FOLLOWING THE LUNCHEON WE HAD DISCUSSIONS WITH ELLIOTT REPRESENTATIVES IN BUCHAREST. AS YOU KNOW, ELLIOTT HAS PUT CONSIDERABLE EFFORT AND EXPENSE INTO THIS NEGOTIATION FOR MORE THAN A YEAR. WE ARE CONVINCED THAT THE BID IS FAIR, WITH THE PRICE OF THEIR EQUIPMENT TO ROMANIA COMPARING MOST FAVORABLY WITH THAT OFFERED THE LARGE MULTINATIONAL CORPORATIONS WHICH UTILIZE THIS TECHNOLOGY.

AS YOU PUT FORTH THIS CASE AS A TEST AREA, AND IN ORDER TO FURTHER THE TRADE RELATIONS WHICH HAD BEEN DISCUSSED IN THE PAST MONTH, TWO THINGS WERE DONE. ELLIOTT FURTHER UNCLASSIFIED

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REDUCED ITS PRICE AND EXIMBANK'S BOARD OF DIRECTORS INCREASED THE EXIMBANK DIRECT LOAN TO 75 PERCENT ON BOTH THE GENERAL ELECTRIC PRELIMINARY COMMITMENT AND THE ELLIOTT PRELIMINARY COMMITMENT TO SUPPORT NEGOTIATIONS WITH ROMCHIM. (THE 8 PERCENT INTEREST RATE WAS ALREADY BELOW EXIMBANK'S SCALE FOR THIS MATURITY.)

ON THIS TRANSACTION, THEREFORE, WE BELIEVE THAT BOTH THE U.S. SUPPLIERS AND EXIMBANK HAVE MADE A SUPERIOR EFFORT TO FURTHER OUR STATED GOALS. FURTHERMORE, EXIMBANK IS PREPARED TO DO THE MAXIMUM WITHIN ITS MANDATE IN FUTURE TRANSACTIONS TO HELP ACHIEVE THE BILATERAL TRADE GOAL OF ONE BILLION BY 1980.

WE UNDERSTAND THAT ELLIOT IS NOW ALSO SUBMITTING A BID OUT OF JAPAN. MAY WE MAKE A CLARIFICATION IN THIS REGARD. DURING PAST TRADE DISCUSSIONS ROMANIAN PURCHASES FROM SUBSIDIARIES OF U.S. COMPANIES IN EUROPE AND JAPAN HAVE BEEN MENTIONED. SUCH PURCHASES SHOULD NOT BE CONSTRUED AS U.S.-ROMANIAN TRADE. WHILE THE EXISTENCE OF MULTINATIONAL CORPORATIONS IS A FOREGONE FACT, EXIMBANK IS ENCOURAGING OUR CORPORATIONS TO PROVIDE EXPORT SALES OUT OF U.S. SOURCES, WHENEVER POSSIBLE. WE FEEL, HOWEVER, IT IMPORTANT TO MENTION THAT WE DO NOT CONSIDER SALES

FROM U.S. COMPANIES ABROAD AS PART OF ROMANIAN TRADE
WITH THE U.S. -

DURING OUR DISCUSSIONS IN BUCHAREST THE MINISTRIES
CONSISTENTLY MENTIONED THE IMPORTANCE OF PRICE. I WOULD
LIKE TO STRESS ONCE AGAIN THAT IN AREAS OF CONCERN TO THE
DEVELOPMENT OF THE ROMANIAN ECONOMY, SUCH AS THE IMPOR-
TANT MEDIA PROJECT, THE COMPETENCE OF U.S. TECHNOLOGY

SHOULD BE THE DECISIVE FACTOR. WE BELIEVE THAT THE CON-
TINUED RELATIONSHIP OF YOUR MINISTRIES WITH TECHNICALLY
COMPETENT U.S. CORPORATE EXECUTIVES, PARTICULARLY IN THE
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IMPORTANT SECTORS DESIGNATED FOR DEVELOPMENT IN YOUR
FIVE-YEAR PLAN, IS THE SUREST MEANS TO ACHIEVING THE HIGH
LEVEL OF INDUSTRIAL DEVELOPMENT TOWARD WHICH ROMANIA IS
HEADED.

ON A FINAL POINT, WE HAVE BEEN ENCOURAGED BY THE RECENT
CONTRACTS WHICH HAVE BEEN AWARDED BY SEVERAL ROMANIAN
FOREIGN TRADE ORGANIZATIONS TO U.S. COMPANIES. AT THE
SAME TIME, WE HAVE BEEN INFORMED BY SOUTHWIRE COMPANY,
NEGOTIATING WITH ELECTRONUM, AND HOOKER CHEMICAL CORPOR-
ATION, DEALING WITH ROMCHIM, THAT THIS BUSINESS HAS GONE
TO FOREIGN SUPPLIERS. WE CANNOT OVERESTIMATE THE IMPOR-
TANT TO EXIMBANK'S OWN EVALUATION OF ITS COMPETITIVE
POLICY OF BEING KEPT ADVISED OF THE REASONS WHY U.S.
COMPANIES HAVE LOST SALES TO OTHER FOREIGN FIRMS. IN
THIS CONNECTION, WE WOULD ASK YOUR ASSISTANCE IN PROVIDING
INFORMATION ON LOST SALES, ON A CONTINUING BASIS, TO
OUR U.S. EMBASSY IN BUCHAREST.

WE WISH YOU GOOD MEETINGS AT THE COMING SESSION OF THE
ROMANIAN-U.S. ECONOMIC COUNCIL. UNFORTUNATELY THE DATES
OF THIS YEAR'S MEETING FALL IN CLOSE PROXIMITY TO THE
DISCUSSIONS WE HAVE JUST HAD, AND WE ARE UNABLE TO SEND A
REPRESENTATIVE. WE SHALL IN THE FUTURE, HOWEVER, DO
EVERYTHING WE CAN TO FURTHER THE AFOREMENTIONED RELATION-
SHIP OF TECHNICALLY COMPETENT U.S. EXECUTIVES WITH
THEIR ROMANIAN COUNTERPARTS.

AGAIN, THANK YOU AND WARM REGARDS.

SINCERELY,
THIBAUT DE SAINT PHALLE

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2. RE THE ROMANIAN-U.S. ECONOMIC COUNCIL EXIMBANK REGRETS
IT WILL BE UNABLE TO SEND A REPRESENTATIVE FOR THE
REASONS MENTIONED TO MARGARITESCU. WE HAVE SENT OUT
REGRETS AND GOOD WISHES TO VOLOSENIUC AND SEPTTEL WILL
TRANSMIT FOR EMBASSY DELIVERY MESSAGE TO COUNCIL MEETING
FROM EXIM CHAIRMAN MOORE. VANCE

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